

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

February 21, 2007

STAFF REPORT
REQUEST FOR QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR
THE SMALL BUSINESS PROGRAM
(Agenda Item #6)

APPLICATION NUMBER: 07-001

APPLICANT: California Industrial Development Financing Advisory Commission (CIDFAC)

ALLOCATION AMOUNT REQUESTED: \$8,000,000

PROGRAM NAME: IDB Small Business Program (SBP) – a statewide program

DESCRIPTION OF PROPOSED PROGRAM:

The IDB Small Business Program is a local government economic development tool used to create jobs making tax-exempt bond financing available to small businesses that generally would not have access to such financing. Beginning January 1, 2007, the Federal tax law increased the capital expenditure limit for Small Businesses from \$10 million to \$20 million. Staff anticipates this change will increase the demand for tax-exempt IDB bond financing.

The minimum requirements for the SBP include:

- 1.) The borrower must meet the definition of a small business and propose a project that is an eligible use of bond proceeds.
- 2.) The maximum amount of tax-exempt financing available under the program is \$4 million.
- 3.) The borrower must establish that the project will result in job creation and or job retention.
- 4.) All construction projects are subject to prevailing wage.
- 5.) All discretionary permits must be in place prior to receiving an award of allocation.

COMMENTS:

1. The allocation requested will assist small business manufacturers to access low cost tax-exempt bond financing.
2. The SBP received 2 applications in 2006, which were awarded allocations totaling \$6,300,000. The projects created approximately 35 jobs and retained 123 existing jobs.

RECOMMENDATION:

Staff recommends that the Committee approve \$8,000,000 in tax-exempt bond authority for allocation to the California Industrial Development Financing Advisory Commission and California Infrastructure and Economic Development Bank for Industrial Development Bond Projects.

Staff Report prepared by Richard Fischer.